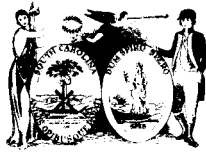


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

March 2, 2005

Ms. Alyce James, Administrator  
Marion Nursing Center, Inc.  
Post Office Box 1485  
Marion, South Carolina 29571-1485

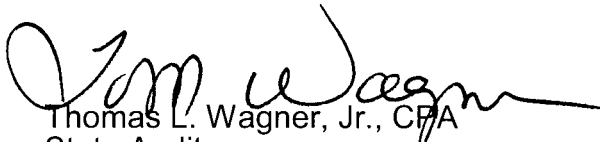
Re: AC# 3-MAR-J2 – Marion Nursing Center, Inc.

Dear Ms. James:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period ended September 30, 2002. That report was used to set the rate covering the contract period beginning October 1, 2003.

We are recommending that the Department of Health and Human Services determine and certify an accounts receivable to recover amounts due as a result of the lower of private pay charges or Medicaid cost finding as shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Ms. Kathleen C. Snider

**MARION NURSING CENTER, INC.**

**MARION, SOUTH CAROLINA**

**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 2003  
AC# 3-MAR-J2**

**AGREED-UPON PROCEDURES REPORT**

**ON CONTRACT**

**FOR**

**PURCHASE OF NURSING CARE SERVICES**

**WITH**

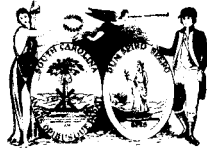
**STATE OF SOUTH CAROLINA**

**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



## Office of the State Auditor

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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 14, 2005

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures enumerated below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Marion Nursing Center, Inc., for the contract period beginning October 1, 2003, and for the twelve month cost report period ended September 30, 2002, as set forth in the accompanying schedules. The management of Marion Nursing Center, Inc. is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the South Carolina Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

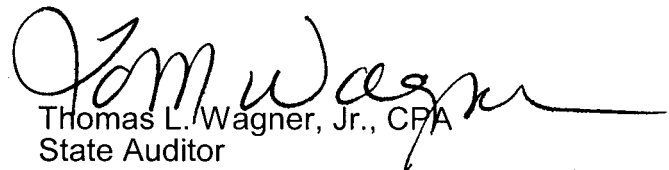
The procedures and the associated findings are as follows:

1. We selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Marion Nursing Center, Inc., to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the Provider. Our findings as a result of these procedures are presented in the Adjustment Report.
2. We were unable to compute an adjusted reimbursement rate in accordance with the provisions of the contract between the South Carolina Department of Health and Human Services and Marion Nursing Center, Inc. dated as of October 1, 2001 as amended. Our findings as a result of these procedures are presented in the Adjustment Report.

Department of Health and Human Services  
State of South Carolina  
January 14, 2005

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**MARION NURSING CENTER, INC.**  
Computation of Rate Change  
For the Contract Period  
Beginning October 1, 2003  
AC# 3-MAR-J2

Interim Reimbursement Rate (1)	\$94.74
Adjusted Reimbursement Rate	<u>(2)</u>
Decrease in Reimbursement Rate	\$ <u><u>(2)</u></u>

- (1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 6, 2004
- (2) We were unable to determine the adjusted reimbursement rate due to findings with the lower of private pay charges or Medicaid cost.  
(See AJE's 1-3)

**MARION NURSING CENTER, INC.**  
Computation of Adjusted Reimbursement Rate  
For the Contract Period Beginning October 1, 2003  
AC# 3-MAR-J2

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$45.74	\$ 67.92	
Dietary		9.11	11.76	
Laundry/Housekeeping/Maintenance		<u>11.50</u>	<u>10.49</u>	
Subtotal	<u>\$6.31</u>	66.35	90.17	\$66.35
Administration & Medical Records	<u>\$5.19</u>	<u>8.06</u>	<u>13.25</u>	<u>8.06</u>
Subtotal		74.41	<u>\$103.42</u>	74.41
<u>Costs Not Subject to Standards:</u>				
Utilities		2.12		2.12
Special Services		-		-
Medical Supplies & Oxygen		3.26		3.26
Taxes and Insurance		2.62		2.62
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$82.41</u>		82.41
Inflation Factor (4.70%)				3.87
Cost of Capital				6.71
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				2.88
Cost Incentive				6.31
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(7.44)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$94.74</u>

**MARION NURSING CENTER, INC.**  
Adjustment Report  
Cost Report Period Ended September 30, 2002  
AC# 3-MAR-J2

MEMO  
ADJUSTMENT  
NUMBER

- 1        A patient with a large outstanding balance refused to pay the amount owed. The patient remained at the facility through September 2004. From our tests we determined collection proceedings were not started.
- 2        We noted a patient paid for September, November, and December 2003 but failed to pay for October 2003. Our testing indicated the facility did not attempt to collect October's charge.
- 3        We noted a patient paid less than the room and board monthly charge for October 2003 and June 2004. The October 2003 charge was \$3255.00 and the June 2004 charge was \$3300.00. The amount collected was \$2300.00 per month.



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